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SOURCE Jen-min Jih-pao

CHINESE GOVERNMENT ISSUES DIRECTIVE ON 1953
TRADE RATIOS BETWEEN GRAIN AND COTTON

[Summary: On 1 April 1953, a directive issued by Ch'en Yun, chair-
 man of the Committee of Finance and Economics, Government Administra-
 tion Council, outlined the 1953 cotton and grain trade ratios which are
 the bases for the purchase prices of cotton from peasants and for the
 grain sale to the peasants. The directive disclosed that the 1953 cot-
 ton acreage in China is to be maintained at the 1952 level but that the
 cotton yield per unit of land should be increased.]

During the past 3 years, not only the cotton acreage in China but also the
 yield per unit of land has increased each year. By 1952, the cotton production
 of China was sufficient to supply the needs of the Chinese textile industries and
 the people. This altered the previous condition of relying on imports of foreign
 cotton to alleviate domestic shortages. This is the result of a rational national
 price policy, and the guidance of the various level people's governments, as well
 as of the production efforts of the cotton growers. In 1953, the cotton acreage
 in China will remain at the 1952 level, but efforts should be made to increase the
 yield per unit of land in order to fulfill the great 1953 cotton production goal.

During the past 3 years, the price offered by the government for the purchase
 of cotton has stimulated cotton growing and has benefited the cotton growers.
 Since the cotton output is now sufficient to meet the present requirements of the
 textile industry and the needs of the people, the trade ratios between cotton and
 grain must be revised. These ratios are inadequate for the following reasons: (1)
 trade ratios now are not rational since cotton prices are too high; and (2) there
 are no rational seasonal price differentials. These defects affect the normal de-
 velopment of cotton cultivation and cotton sales.

To fix for 1953 a rational trade ratio between cotton and grain and the normal
 seasonal price differentials, thereby insuring the stabilization of cotton acreage
 at the 1952 level; and to encourage cotton growers to increase the yield per unit
 of land, the following decisions have been made:

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The 1953 trade ratios between cotton and grain (in units of chin and liang)
 [One chin equals 0.5 kilograms; 16 liang equal one chin] as follows:

<u>Areas</u>	<u>Type of Grain</u>	<u>Quantity of Grain for Exchange of 1 Chin of Medium Grade, 7/8 Inch Staple, Ginned Cotton</u>
Hopeh, Shantung	Millet	6 chin 12 liang to 8 chin
Shansi	Millet	6 chin 12 liang to 8 chin
	Wheat	6 chin 4 liang to 7½ chin
Central Shensi, Honan	Wheat	6 chin 4 liang to 7½ chin
Hopeh, Kiangsi, Hunan	Rice, grade B	6 chin 12 liang to 8 chin
Kiangsu, Chekiang, Anhwei	Rice, medium grade	6 chin 12 liang to 8 chin
Northeast	Kaoliang	16 chin to 18 chin
Szechwan, South Shensi	--	To be fixed by provincial governments on the basis of the above trade ratios.

Grain prices in wheat areas are based on calculations made on local grain prices. On and after 1 December 1953, calculations will be made on the basis of new rice.

The above trade ratios set forth the bases for prices for cotton purchases from the peasants and the prices for the grain sales to the peasants by state-owned cotton, yarn, and textile companies, food companies, and cooperatives. The prices the peasants receive for the sale of cotton during any season shall be as listed above. In 1953, during the buying season and following the appearance of new cotton crops on the market, a rational seasonal price differential should be maintained; that is, at the time new cotton crops go to the market, the purchasing price should be a little lower, but should be raised gradually according to the length of time the cotton is being held to compensate for loss due to loss of moisture and for reasonable interest on interest and for storage expenses.

As to grain prices in adjoining areas of the various provinces listed, consultations may be held by commerce offices of the two provinces concerned, in accordance with provisions set forth in this directive. The results should be reported to the Ministry of Commerce for approval or for revision at any time in order to ensure rational ratios between cotton and grain.

The policy of the Committee of Finance and Economics shall be "good prices for better grades and lower prices for poorer grades." Cotton growers shall be encouraged to develop better strains of cotton. Techniques for the inspection of cotton at the time of purchase on the various levels must be improved; a fair and reasonable price according to grade must be offered; and, underestimation of grade and prices must be strictly forbidden.

In connection with the 1952 public grain tax on cotton land, it was stipulated that where the ratio between the amount of public grain tax on cotton land and the average cotton yield was 11 percent (e.g., each mou of cotton land normally yielding 30 chin of ginned cotton should be levied 3.3 chin) or more, the tax assessments would remain unchanged. Where the ratio between the amount of public grain tax on cotton land and the average cotton yield was less than 11 percent, the ratio for the average public grain tax on the local cotton land should

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be raised to 11 percent. Since the trade ratios between cotton and grain are being reduced in 1953 as compared with 1952, the agricultural tax on cotton land shall not be collected on the basis of the 1952 measures for the collection of public grain on cotton land, but shall be collected on the basis of the rate of normal yearly (grain) yield.

Ch'en Yun, Chairman
Committee of Finance and Economics
Government Administration Council
1 April 1953

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